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Geologists Say Oil Reserves Near Islands Aren't Crucial

By DOUGLAS MARTIN

Despite years of talk about the oil potential of the Falkland Islands and acrimonious discussions between Britain and Argentina over oil-drilling policy, Government and industry experts tend to minimize the significance of petroleum in explaining Argentina's seizure of the rocky cluster of islands.

"Even industry professionals in Argentina don't seem to be holding out great hope for it," a State Department official said yesterday. Thus far, no drilling has been carried out in disputed waters, only seismic studies designed to indicate whether drilling would be worthwhile.

What optimism there is about the area is based on a well drilled early last year in Argentine waters by the Royal Dutch/Shell group as a contractor to Argentina's state oil company. The well yielded a test flow of 5,000 barrels of oil a day from an apparently promising formation known as the Springhill Sand. The formation is believed to extend to the Falklands.

But the range of estimates of how much oil might be found is enormous. Bernardo Grossling, an official of the Inter-American Development Bank who previously studied the area as an employee of the United States Geological Service and takes a generally positive view of the area's potential, said he believed the Falklands' oil potential might be as low as a billion barrels, but could range as high as 20 billion.

By contrast, he puts Argentina's oil potential offshore outside the disputed area at 40 billion to 200 billion barrels. North Sea reserves—proven, not hypothetical—total about 50 billion.

If it were found, the conditions under which it would have to be produced would be among the most difficult anywhere, worse than the North Sea or the offshore waters off eastern Canada, where the world's largest drilling rig sank last winter. An estimated 150 ships have sunk because of the fierce waves in the area, water depths exceed half a mile.

As a result, few experts who have studied the area believe that either Argentina or Britain is interested in the Falklands primarily for the oil potential. They also suggest that inasmuch as energy issues are involved, resolving them presents a paradox.

"You're not going to resolve the oil issue until you know what's there, and you're not going to know what's there until the problem is resolved," a former Department of Energy expert said.

Also arguing against oil's being a principal motivation is the fact that Argentina is more than 30 percent self-sufficient in energy, and Britain has used its ample North Sea reserves to become an exporter of approximately a million barrels of oil a day. Argentina's oil use has been increasing, reaching 400,000 barrels a day last year, according to Petroleum Intelligence Weekly, a trade publication.

Proponents of diversifying the world's oil supply sources away from the turbulent Middle East have long contended that the Falkland Islands offer an attractive alternative. Lawrence Goldmintz, principal energy adviser to the American Jewish Committee, has estimated the area around may yield as much as two million barrels a day, a production rate exceeded currently by only one member of the Organization of Petroleum Exporting Countries: Saudi Arabia.

Yesterday, Mr. Goldmintz again characterized the oil potential of the Falklands as "a world-class resource," but pulled away from his suggestion of a possible two-million-barrel-a-day field.

"I would not put much stock in that number," he said. "Nobody knows what it really is."

Indeed, a number of major oil companies active in Argentina were unwilling to make any estimate of the area's potential, partly because no wells have been drilled in the disputed waters. Among the companies that declined specific comment were Exxon, Mobil,



The mother and wife of a British sailor bound for the South Atlantic shared their grief yesterday as the fleet left Portsmouth Harbor.

Atlantic Richfield, Cities Service and Royal Dutch/Shell.

There is no question, however, that the oil issue has kindled to exacerbate relations between Argentina and Britain. Last December, when Argentina advertised for oil prospectors in waters belonging to the Falkland Islands, Britain lodged an official protest.

Nonetheless, that action led a group of companies—Atlantic Richfield, Mobil, Cities Service and two small Argentine companies—to reach an agreement with the Buenos Aires Government to negotiate a drilling pact. Those discussions have not been completed. Mobil has dropped out, for reasons it would not disclose.

Transcript of Session on Foreign and U.S. Matters

Following is a transcript of President Reagan's news conference in Washington yesterday, as recorded by The New York Times through the facilities of ABC News.

Q. Mr. President, would you support, would this Government support, Mr. Thatcher's efforts to free his hostages in the Falklands in exchange for Mrs. Thatcher's support for freeing American hostages in Iran?

A. You've asked a question, in a way, about a particular facet of it. Let me just answer it in a little broader context.

It's a very difficult situation for the United States, because we're friends with both of the countries engaged in this dispute. And we stand ready to do anything we can to help them. And what we hope for and would like to help in doing is have a peaceful resolution of this, with no forceful action or no bloodshed.

And to that extent, we support the resolution that's already in the United Nations that there be a withdrawal of forces, and we resolve this at the U.N.

Q. Mr. President, British television news. Have you spoken to Prime Minister Thatcher this morning?

A. No, but we have—I received a message from her with regard to the appointment of the new Minister, Foreign Minister.

Q. What else did she have to tell you?

A. Well, she appreciated very much our efforts and my attempt to—

Q. Is America prepared to offer military assistance if the British ask for it?

A. Again, as I said, we're friends with both sides in this. And we're going to try, strive for—and I think that they will be willing to meet in the idea of a peaceful resolution.

Q. Mr. President, are you meeting with the Argentine Foreign Minister, who's here today talking to the Organization of American States?

A. No, I don't think. No, he—there isn't any meeting of that kind on the schedule.

Q. Mr. President, the British Government has threatened to use force if diplomacy fails, and it's regarded as a serious threat in Britain. What would your position be, sir, if diplomacy did fail?

A. Well, you're getting into a hypothetical question that I hope I never am faced with. Both sides have threatened with the use of force, as is evident with Argentina's military landing there. And I just don't think that it's an issue that should come to that point.

Public Opinion Polls

Q. Mr. President, why do you think your polls have gone down so much recently?

A. Well, they have followed a pattern that's been historically true of every President. And whatever the degree might be, I guess depends on the pollster.

I think there's been quite a drumbeat of criticism that has gone largely unanswered by us with regard to some of the programs that I've advocated. And, of course, there is the unhappiness that exists all of us in the present recession.

But, as I've said, I think the polls are only as good as the time they're taken.

Q. When you say it's largely unanswered, sir, do you mean that the answer hasn't been reported adequately, or you have been making it adequately? What do you mean by that?

A. Well, I think in the debate it's true that there has been far more criticism of the plan, and that is more newsworthy, when someone stands up with a new viewpoint in the tax facets of the program.

And we have submitted our budget. And while we're now continuing in meetings with them to hear what alternatives might be proposed, there isn't much news in us just continuing to say, "Well, we're still supporting our program."

Options on the Military

Q. Isn't it about time for some new move on the part of the White House? We hear that you may be willing to cut some cuts in the defense program.

A. The—as I've said—finally, there are decisions that have to be made, going on, and I've had people from my staff up there in the place of observers to get a sense of what's going on. I've proposed, and I've heard what's being proposed, even the legislators, both Democrat and Republican. It so far has not resulted a point in which it comes to me with any concrete proposals of one kind or another.

Q. Are you willing to make some cuts in defense?

A. I have said that any Government program obviously has areas where savings can be made by management changes and so forth. And I am open to any suggestions of that kind. However, the basic program of upgrading and building weapons systems that we need in order to close the window of vulnerability, I would have to oppose that. We can't.

Contest on Missiles

Q. Mr. President, some critics say that they disagree with your assessment that the United States is behind the Soviet Union. But beyond that, they say you were wrong to say it, because it gives the perception of weakness. Are you sorry you said it?

A. No, I'm not sorry I said it, because I think as we know for our the Russians know that. I think the American people ought to be able to know everything they know.

Q. It left an impression that we are weak, and therefore doesn't it...

A. It's been said over and over again many times. It's been said for the last few years that we were in a deteriorating position militarily, in comparison to the Soviet Union.

Q. ... that they could deliver a second strike. Do you really believe that?

A. That has been published in articles by various people commenting on what should happen. But let me make one point about this. The idea is that we must have a deterrent. Our goal is peace. And to have peace, we must have a deterrent that would prevent someone from adventuring aggressively in the world, using nuclear weapons.

And for one point, with regard to our inferiority, we are presently negotiating that in Geneva. The fact that the Soviet Union has 300 intermediate missiles with 900 warheads aimed at Europe and can hit the Middle East and North Africa, and there is nothing to counter them. And our allies have asked us for cruise missiles and Pershing's, as a deterrent, to be stationed in those countries in Western Europe, to be deployed there. And we have agreed to do that.

Now, there is the greatest proof of a superiority they already have: their SS-20's are in place. Although lately they have said that they're withdrawing the 4's and 5's, which are older and lesser missiles.

Q. We are negotiating from a standpoint of something we've yet to do, in providing those missiles, but which we won't if they will agree to take them out.

Q. Mr. President, do you think they have a first-strike capability against the United States?

A. I think that at the moment—on the strategic intercontinental ballistic missile program, on our trip—I think that we do. Those people who say that,

well, we have something of a deterrent now. Yes, I think so too.

Haig on Deterrence

Q. Can they strike us with impunity?

A. I think I spoke of that the other night. That, yes, we would have surviving missiles in our submarines, airborne, of those planes that were airborne at the time of such an attack. Their missiles are aimed at our silos, our ballistic missiles, land-based missiles.

But, would our retaliation result in further devastation of the United States? And so I think I made it clear. I tell you something—let me give you the answer.

Tomorrow, in Georgetown, Secretary Haig is going to be making a speech on this entire subject of nuclear deterrence and of nuclear power. So I recommend that you hear his speech.

Unemployment Figures

Q. Mr. President, on the economy, your own Labor Department said last Friday, in analyzing the new unemployment statistics, the unemployment rate going up, that this is evidence of further deterioration in the economy. You have said that recovery is just around the corner.

A. Well, not that. I've said we're in the trough, the bottoming out of a recession. And one of the characteristics of being in the trough is, if you will look back at all the other recessions we've had since World War II, you will find that one of the characteristics is that employment lags behind, and very often in that trough there is a continued increase in unemployment for a while.

Q. So you disagree that this is evidence of further deterioration in the economy?

A. Well, there may even be more unemployment because, I guess, that's why they call it a trough.

Timing of the Budget

Q. Are you concerned that many members of Congress are saying that you will not have a budget until there is a lame duck session of Congress? It might be another six months.

A. Not have a budget until—we haven't had a budget for two years, really. The no—no—and we're not that far behind schedule. We—as a matter of fact, we presented this budget earlier than we did last year. And I look forward to progress being made as soon as they come back from the Easter recess. That's why we're negotiating so fast.

Q. What about a summit meeting with House and Senate leadership on the budget?

A. I think that that would, that that would be a part of the procedure before we finally arrive at a budget. Let me just say in closing, though, since we can't take any more questions here,

and we were on that very big subject of nuclear weapons and all.

I'm, as you know, in June, early June, will be going to Europe for a Council, the leaders, the heads of state of European countries. I will be meeting with the Pope in Rome. And then I will be returning, and at the same time, you know, in June and early July, the United Nations is having its meeting on arms control.

And I will be returning and addressing that conference at the United Nations myself. And I hope very much that President Brezhnev will be on hand to do the same thing and address the same group.

I think that this whole idea that I've been talking about since back in the campaign of arms reduction, arms control, is one of the most important things that is facing us. And as I say, I hope that we'll both be able to address the conference.

Meeting With Brezhnev

Q. Isn't President Brezhnev in very bad health?

A. We've had no confirmation of anything of that kind.

Q. Would you like to meet President Brezhnev?

A. Naturally. A head of state that's here in our country. Yes, I would very much like to meet him and I would have a meeting.

Q. You're proposing, in effect, a summit here?

A. Well, the imagery that you bring up with that, whether that means a full-blown summit conference—I think if he is here and we both address that subject, I think it would be well if he and I had a talk.

Q. That will be in June in New York?

A. In June.

Q. The Falkland Islands dispute, sir?

A. If we can be of help in doing that, yes. Anything that would bring a peaceful solution to what seems to be an unnecessary disagreement.

Q. Thank you.

The U.N. Today

April 6, 1982

GENERAL ASSEMBLY

Special Committee on Enhancing the Effectiveness of the Principle of Nonuse of Force in International Relations—10:30 A.M. and 3 P.M.
Preparatory Committee for the Second Conference on the Exploration and Peaceful Uses of Outer Space—10:30 A.M.

ECONOMIC AND SOCIAL COUNCIL

Ad hoc intergovernmental working group of experts on international standards of accounting and reporting—W.A.M. and 3 P.M.

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